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## Counterfeiting – Is there a Human Rights Defence?

There have recently been a number of proceedings brought before the courts in the United Kingdom where individuals have been prosecuted for dealing in counterfeit goods under the criminal provisions of the Trade Marks Act 1994. Following the adoption in the UK of the European Convention on Human Rights, a novel defence has been raised by defendants, namely that the UK law in this field is in breach of the Convention.

Under Art.6 of the Convention, a legal onus may not be placed on a defendant to prove the elements of his defence, even where he only has to do so upon the balance of probabilities. In the case of *R v Johnson and Others* which came before the Court of Appeal, the judges managed to distinguish the point on the legal onus referred to above by claiming that an *evidential* onus may be placed upon the defendant to disclose a sufficient case for the prosecution to disprove. This evidential, rather than legal, onus did not, in the Court's view, breach the provisions of the Human Rights Convention.

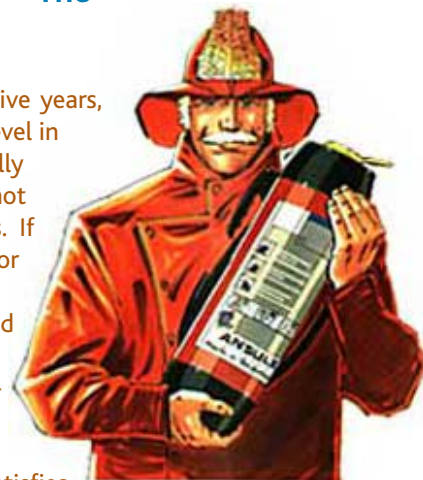
This case was also useful to confirm two other important points. Firstly, in a case where the defendant is being prosecuted under the criminal provisions of the UK Trade Marks Act, if the use complained of would not amount to an infringement under the civil provisions of the Act, such use cannot amount to a criminal offence. That is to say there is no lower test for infringement under the criminal provisions in s92. Secondly, the prosecution is not required to prove in every case that there has been a civil infringement. Instead, the onus lies with the defendant to raise an arguable defence.

The decision in this case and the more recent Court of Appeal decision in *Regina v S* are good news for brand owners. They clearly establish that there is no loop hole for criminals to exploit when they have been caught red handed with counterfeit goods. Moreover, brand owners are reminded that criminal prosecution can be brought by Trading Standards Officers where there will be little, if any cost to the trade mark owner.

## What is "Genuine Use" of a Mark? – The ECJ Decision in "MINIMAX"

March/April 2003

Once a trade mark has been registered for five years, whether at Community level or at National level in European Union member states, it is potentially vulnerable to attack by third parties if it has not been used for the registered goods or services. If an attack is made, the onus is on the proprietor to demonstrate that he has made "genuine use" of his mark (or that such use has occurred with his consent). If no use has occurred, the proprietor must show proper reasons for non-use.



There has been much speculation as to what satisfies the "genuine use" criterion in the Community Trade Mark Regulation and National Law. Some commentators had suggested that the level of use required must be more than minimal in order to meet the test; this line of thought was prompted by the use of terms such as "effectivo" or "serio" in local language translations of the CTM Regulation. These points have now been the subject of guidance from the European Court of Justice in their judgment dated 11 March 2003 in case C-40/01 (*Ansul B.V. v. Ajax Brandbeveiliging B.V.*).

This case was referred to the European Courts by the Netherlands Supreme Court. The trade mark in issue, MINIMAX, was registered for fire extinguishers and associated products by Ansul. Their regulatory authorisation to sell these goods had expired some years previously, but they continued to supply components and maintenance services to their customers who had already purchased MINIMAX branded fire extinguishers. Ajax challenged the Dutch registration of MINIMAX on grounds of non-use in order to facilitate its own sales of fire extinguishing goods in the Benelux market. At first instance, the non-use challenge was unsuccessful and a counter-claim by the trade mark proprietor for infringement of its rights was upheld, thus preventing Ajax from entering the Benelux market under the MINIMAX name.

Ajax appealed to the Regional Court in the Hague, which reversed the First Instance decision, finding that Ansul had not made "normal use" of their mark, because their object was not to create or preserve an outlet for fire extinguishers. The Benelux statute referred to "normaal" as the standard of assessment, hence use of this term in the Regional Court's decision. The registered proprietor then appealed further to the Supreme Court in the Netherlands, which provided its own opinion on what would be considered "normal use"; in its view, this assessment had to take account of what was considered to be usual and commercially justified in the business sector concerned. The object of such use would be to create or preserve an outlet for trade mark goods and services and not simply to maintain the rights in the trade mark. In making this assessment, account should be taken of the kind, extent, frequency, regularity and duration of the use in conjunction with the type of goods or service and the kind and size of the undertaking.

Nevertheless, the Supreme Court felt that it would be necessary (in order to ensure that its interpretation of the Dutch law is compatible with that in the Harmonization Directive) to request the ECJ for a preliminary ruling on the meaning of the term "genuine use" in Article 12(1) of the Harmonization Directive (on which the new

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Benelux law was based). It asked the ECJ if the guidelines it had formulated were a correct criterion for assessing the meaning of "genuine use".

In its judgment, the ECJ endorsed the need for an autonomous and uniform interpretation of similar legal terms in the Harmonization Directive and Community law, particularly with regard to the central tenets of such laws. It affirmed specifically that it was the Community legislature's intention that the maintenance of rights in a trade mark should be subject to the same conditions regarding genuine use in all member states, so that the level of protection such trade marks enjoyed did not vary according to the legal system concerned.

It then went on to state that "genuine use" must be understood to denote use which is not merely token, serving solely to preserve the rights conferred by the trade mark. Instead, it must be consistent with the essential function of a trade mark as a guarantee of origin, distinguishing the registered owner's goods or services from those of the competition.

As such, the Court decided that any use must be made on the open market for the goods or services concerned, i.e. not just internal. It must therefore relate to goods or services already marketed or about to be marketed and for which preparations by the undertaking to secure customers are underway, particularly in the form of advertising campaigns. The Court affirmed that such use could be made by the trade mark owner or by a third party with the owner's consent.

The overriding consideration is whether the commercial exploitation of the mark is real and this must be viewed in relation to the relevant economic sector, the nature of the goods and services at issue, the characteristics of the market concerned and the scale and frequency of use. Nevertheless, it is not necessary for the use to be quantitatively significant in all cases to be genuine; depending on the nature of the market, limited sales may still be sufficient to establish genuine use. The Court specifically affirmed that even if the goods in respect of which the mark was registered are no longer available, some continued use of the mark, e.g. in relation to spare parts or goods or services directly related to the registered goods, if intended to meet the continuing needs of customers (such as after-sales service), is sufficient to constitute genuine use.

The ECJ decision, while helpful, still leaves plenty of room for argument in individual cases as to whether the use relied on by the registered proprietor is, in fact, "genuine". It seems clear, however, that purely internal preparations for marketing goods or services are not now sufficient; there must be some type of public use of the mark. Moreover, the intention behind such use must be to create or maintain a share in the market for the goods or services for which it is registered. Clearly, token use which is only aimed at maintaining a registered trade mark is not adequate or sufficient. At the same time, if there is limited use on a sporadic basis, providing that this can be justified as normal within the relevant sector, this will be potentially acceptable.

In addition, it appears that certain types of use on ancillary goods or services which are designed to maintain or meet the needs of customers for the goods previously sold under the brand are, in themselves, sufficient to meet the "genuine use" requirement. This is somewhat problematic however, if the registered mark does not cover the specific goods (e.g. spare parts or repair services which are still being offered under the brand). There is no provision in UK national law which indicates that use on ancillary goods or services should be accepted as maintaining the registered mark when no use on the actual goods for which it is registered can be demonstrated. The ECJ appears to suggest that this "ancillary" use should be deemed to be use of the registered mark for the actual goods; this is a surprisingly liberal interpretation of the Harmonization Directive, but something which trade mark owners will doubtless welcome.

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## **New Approach to Assessment of Damages in Trade Mark Infringement Cases?**

*Reed Executive PLC and Reed Solutions PLC v. Reed Business Information Limited,  
Reed Elsevier (UK) Limited and totaljobs.com Limited*

The traditional approach in trade mark cases has been to assess damages for infringement according to the extent of the claimant's loss. In the event that no loss can be shown, it was generally thought that no damages could be recovered.

The recent High Court decision in the *Reed* case (currently on appeal to the Court of Appeal) has departed from this approach and appears to adopt the "user principle" (now well established for patent infringement cases), where damages are assessed according to the extent of the defendant's use of the infringing mark, irrespective of whether the complainant can show loss. In essence, the Courts award royalty-type damages to the claimant.

This principle lends itself easily to cases of patent infringement, since every case of an infringing patent product must involve use of the patent monopoly. By contrast, of course, not every sale of an article bearing an infringing trade mark is necessarily made because of use of that mark. For this reason, it had previously been doubted whether the "user principle" of assessment had any application in trade mark law.

In *Reed* however, an enquiry as to damages was ordered by Pumfrey J., regarding the defendant's visible and invisible use (by means of

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metatags) of the claimant's mark REED on the defendant's website, *totaljobs.com*. Confusion was held to be evident in cases where Internet users entering a "REED" search term clicked through to the *totaljobs.com* website. On the evidence however, such incidents of confusion were negligible; as such, the claimant would be unable to claim damages for lost sales under traditional trade mark principles. Nevertheless, Pumfrey J., did not consider proof of actual loss to be necessary and applied the user principle to order the enquiry into both visible and invisible usage of the infringing mark. The decision of the Court of Appeal is awaited with interest.

## Recognition Not Enough For VIENNETTA Ice Cream Shape

The test for deciding the registerability of "shapes" as trademarks (and indeed the extent to which any product shapes can be protected as trademarks) may be clarified by the European Court of Justice (ECJ) as a result of a referral by Jacob J following his preliminary decision in the English High Court in the case of *Societe de Produits Nestle SA v Unilever Plc* (the VIENNETTA case).

The case involves oppositions by Nestle to trademark applications filed in the UK in 1994 by Unilever to register the shape of its VIENNETTA ice cream dessert product; separate applications were filed for the milk chocolate and white chocolate versions.

The VIENNETTA product was first launched in the United Kingdom in 1982. By the date of the application's Unilever had sold nearly 170 million packs. The product is widely available in most supermarkets and similar food outlets throughout the United Kingdom.

Unilever's survey evidence established a high degree of recognition of the shape of their goods. However, the judge took the view that consumer recognition of the shape alone was not sufficient to establish that customers considered the shape itself as an indication of trade origin. Thus it did not function as a trade mark.

According to the judge "*Many traders can show they have sold a product which is more or less recognised by the public. Many*

*motor car shapes, for instance, are widely recognised. Likewise things like furniture and toys. If, once the public recognises the shape and knows it comes from a particular trader, the trader can, for that reason alone, register the shape as a trade mark, the trade mark registers of Europe will become registers of permanent monopolies in designs as well as registers of trade marks*".

The judge also expressed surprise that the opponents had not originally pleaded Section 3(2)(c) of the UK Act which prohibits trademark registration of a sign "consisting exclusively of the shape which gives substantial value to the goods". The judge thought it clearly arguable that as essentially an aesthetic creation the appearance of the VIENNETTA ice cream added value to the product.



Unilever's survey evidence (which showed those polled pictures of four ice cream desserts) established a high degree of recognition of the shape. Some of those polled identified one of the other competing products as VIENNETTA. Rather than assisting the applicants, the judge expressed concern about the scope of any resulting registrations, and concluded that the

applicants could not say the shape was distinctive of only one source or origin.

This case is clearly disappointing for brand owners with products whose shape or get up attracts high levels of "lookalike" activity. It appears to ignore the idea that in the modern marketplace several "signs" act as indicators of origin in purchasing situations.

Despite the fact that the UK Trade Marks Act provides that a trade mark may consist of *inter alia* the shape of goods/their packaging, this and other recent cases appear to be judicial attempts to keep design matter (even in the context of well known brands) outside the trademark system.

The issue has been referred to the ECJ for clarification on whether the approach taken is correct or if substantial recognition might in itself be enough, and whether the "misattribution" issue was relevant when assessing distinctive character.

In the meantime, making timely Registered Design (and now Community Registered Design) applications at an early stage, i.e. where the novelty criteria are met, are advisable. Attempts to extend protection for product shapes beyond the maximum 25 years Registered Design Protection by trademark applications/registrations may be difficult to sustain. Deliberate redesign/relaunch strategies (with new Registered Design applications) would be a commercial option to consider.

## Davidoff & Cie SA., Zino Davidoff SA v Gofkid Ltd - Protecting Marks with "Reputation"

This case was referred to the European Court of Justice for a ruling on the correct interpretation of Article 5(2) of the Trade Marks Directive. The Directive provides that Member States can give an additional level of protection to well-known marks with a "reputation" under their National laws. Trade mark proprietors can then prevent third parties from using in the course of trade any sign which is identical with or similar to the prior registered trade mark in relation to goods or services which are **not similar** to those for which the earlier trade mark is registered. As well as demonstrating that the registered trade mark has a "reputation", the trade mark proprietor must show that use of the later sign "without due cause, takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark".

Commentators have queried whether such 'well known' marks can also benefit from the protection conferred by Article 5(2) if the offending sign is used in relation only to identical or similar goods, or whether the protection is restricted to situations in which the

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respective goods are dissimilar to those covered by the earlier registration. This question was recently referred to the ECJ by the German Court in the *Davidoff vs. Gofkid* case, in which Davidoff objected to the use and registration in Germany of the mark DURFFEE by Gofkid. DAVIDOFF is of course a "well-known" mark to most consumers.

The Advocate General's Opinion (issued in March 2002) concluded that the provisions of Article 5(2) could not be interpreted as covering similar goods, as the wording of that provision clearly states that the respective goods must be dissimilar. In addition, wording that could have expanded the scope of protection to identical or similar goods was rejected during the drafting of the Directive, adding force to the view that such extra protection was not intended.

The Advocate General pointed out that the provisions of Article 5(2) have a different basis to those of Article 5(1)(b) (which provides that a trade mark proprietor shall be entitled to prevent third parties from using a sign which is identical/similar to the trade mark in question where there is identity or similarity of the respective goods/services and a likelihood of confusion on the part of the public - which includes the likelihood of association between the sign and the trade mark). There is no parallel requirement for a likelihood of confusion under Article 5(2); rather, the test is whether or not the relevant unfair advantage/detriment will arise.

Surprisingly, the ECJ decision in the case did not follow the Advocate General's reasoning; instead the ECJ held that Article 5(2) of the Directive "must not be interpreted solely on the basis of its wording, but also in the light of the overall scheme and objectives of the system which it is a part". Accordingly, the correct interpretation of Article 5(2) should not lead to marks with a reputation having less protection where a conflicting sign is used for identical or similar goods or services than where such a sign is used for dissimilar goods or services. Member States are therefore allowed to provide specific protection for registered trade marks with a reputation where a later identical or similar mark or sign is used in relation to goods or services which are identical with or similar to those covered by the registered mark, even though there may be no likelihood of confusion.

This decision is somewhat surprising, because it deviates from the precise wording of the Trade Marks Directive, and we must wait and see how the ECJ's comments will be interpreted by the UK courts. However, it could clearly be advantageous for proprietors of well-known trade marks, who may now be able to take action against third parties using their marks in relation to identical or similar goods notwithstanding the fact that there may be no likelihood of confusion. It will, however, still be necessary for them to demonstrate that unfair advantage/detriment will arise.

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## STOP PRESS: D Young & Co Now Filing Registered Community Designs

D Young & Co are now filing Registered Community Design applications at The Office for Harmonisation in the Internal Market (OHIM) in Alicante. Tuesday 1st April 2003 was the first official day of operation of the new Community system for the protection of designs. An overview of the new provisions for design protection in Europe and an outline of the procedures which govern the registration of a Community Registered Design can be found online at [www.dyoung.com/news/des.asp](http://www.dyoung.com/news/des.asp).

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## D Young & Co INTA Reception, 4 May 2003

D Young & Co attorneys will join thousands of trade mark practitioners from more than 160 countries at the 125th meeting of the International Trademark Association (INTA). Held in Amsterdam, The Netherlands, 3-7 May 2003, the meeting will involve educational presentations, committee meetings, exhibits, as well as social events.

D Young & Co cordially invite clients attending INTA to a reception on Sunday 4th May 2003 in the Stadhouders Room at the InterContinental Amstel Hotel, Amsterdam. Please advise if you plan to attend by contacting us - details below:

Time: 6.30pm - 9.30pm  
Location: InterContinental Amstel Hotel, Professor Tulpplein 1, 1018 GX Amsterdam  
RSVP: Rachel Collins  
Tel: (00 44) 238 071 9500  
Email: (0044) 238 071 9800  
Briton House, Briton Street, Southampton SO14 3EB



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